

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 18950 311843Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 /091 W

----- 077090

P R 311730Z DEC 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 4943

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL GENOA

AMCONSUL FLORENCE

AMCONSUL TURIN

AMCONSUL TRIESTE

AMCONSUL PALERMO

LIMITED OFFICIAL USE ROME 18950

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: AN ABBREVIATED MEDIUM TERM PLAN APPROVED BY CABINET

REF: (A) ROME 16856 (B) ROME 179096

1. SUMMARY. ON DECEMBER 23 CABINET APPROVED REVISED
VERSION OF INDUSTRIAL RECONSTRUCTION PART OF EARLIER
MEDIUM TERM PLAN. DRAFT LAW (NEEDING PARLIAMENTARY
APPROVAL) WOULD (1) ESTABLISH NEW COORDINATING COMMITTEE
FOR INDUSTRIAL POLICY, (2) CREATE NEW INDUSTRIAL
RESTRUCTURING, RECONVERSION AND DEVELOPMENT FUND, (3)
APPROPRIATE FUNDS FOR INDUSTRIAL PLAN AND (4) PROVIDE
SPECIAL INCOME MAINTENANCE FOR WORKERS AFFECTED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 18950 311843Z

BY INDUSTRIAL RESTRUCTURING. TWO OF THREE LABOR

FEDERATIONS AND SOCIALIST PARTY HAVE BEEN SHARPLY CRITICAL OF PLAN AND LATTER MAY USE ITS OPPOSITION AS OCCASION FOR PROVOKING GOVERNMENT CRISIS. END SUMMARY.

2. ITALIAN CABINET APPROVED ON DECEMBER 23, 1975 ABBREVIATED VERSION OF MEDIUM-TERM ECONOMIC PLAN WHICH ELABORATES PROPOSED GOVERNMENTAL ASSISTANCE IN INDUSTRIAL RESTRUCTURING AND RECONVERSION. FOLLOWING OUTLINE HAS BEEN CULLED FROM NEWS REPORTS, INCLUDING DRAFT TEXT OF LAW.

3. PRIORITY INVESTMENT PROVISIONS IN CERTAIN SECTORS (CONSTRUCTION, EXPORTS, AGRICULTURE, TRANSPORT) CONTAINED IN THE PREVIOUS VERSIONS OF MEDIUM-TERM PLAN WHICH, WERE LARGELY DUPLICATIVE OF ANTI- RECESSION PACKAGE OF AUGUST, HAVE BEEN PRUNED FROM VERSION APPROVED BY CABINET. DEPUTY PRIME MINISTER LA MALFA IN DECEMBER 30 NEWS CONFERENCE HAS EMPHASIZED THAT, WHILE THESE LATTERMEASURES ARE STILL NEEDED, CURRENT RECESSION HAS GIVEN GREATER URGENCY TO NEED FOR INDUSTRIAL RESTRUCTURING AND RECONVERSION AS A FIRST PRIORITY, AND FOR A GREATER DEGREE OF COORDINATION OF INDUSTRIAL POLICY BETWEEN MINISTRIES OF INDUSTRIES, STATE PARTICIPATIONS AND MEZZOGIORNO.

4. INDUSTRIAL POLICY COORDINATION MECHANISM. ONE OF MAJOR PRIVISIONS OF PROPOSED LAW (WHICH MUST STILL BE APPROVED BY PARLIAMENT) WOULD ESTABLISH NEW INTERMINISTERIAL COMMITTEE FOR COORDINATIO OF INDUSTRIAL PILCY (CIP), IN WHICH WOULD PARTICPATE MINISTERS OF BUDGET AND PLANNING (CHAIRING), TREASURY, INDUSTRY, COMMERCE, STATE PARTICPATIONS, LABOR AND MEZZOGIORNO. CIP WOULD HAVE RESPONSIBILITY OF COORDINATING ALL GOVERNMENT INVOLVEMENT IN INDUSTRIAL SECTOR.

5. NEW CIP, AS SUBCOMMITTEE OF INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING (CIPE) WOULD CONCENTRATE IN ONE BODY RESPONSIBILITY FOR COORDINATION OF ALL INDUSTRIAL POLICY, INCLUDING INDUSTRIAL POLICY FOR MEZZOGIORNO, STATE PARTICPATIONS, AND INDUSTRIAL RESEARCH. CIP WOULD ALSO BE RESPONSIBLE FOR DIRECTON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 18950 311843Z

OF, AND MAJOR DECISIONS REGARDING NEW RESTRUCTURING FUND WHICH WOULD BE AUTHORIZED UNDER PROPOSED LAW.

6. THIS RESTRUCTURING FUND WOULD BE ADMINISTERED BY MINISTERED FOR INDUSTRY, WHILE CIP ITSELF, WOULD HAVE TO AUTHORIZE ANY ASSISTANCE FOR RESTRUCTURING PLANS WHICH EXCEEDED 7 BILLION LIRE. MINISTER OF INDUSTRY WOULD BE RESPONSIBLE FOR AUTHORIZATIONS IN CASES IN-

VOLVING LESS THAN THIS SUM. SPECIAL CREDIT INSTITUTES
WOULD PLAY IMPORTANT ROLE IN PROCESSING OF APPLICATIONS
FOR ASSISTANCE.

7. INDUSTRIAL RESTRUCTURING -- ASSISTANCE TO INDUSTRY
FOR RESTRUCTURING, RECONVERSION AND DEVELOPMENT WOULD BE
PROVIDED THROUGH: (A) NEW RESTRUCTURING FUND INITIALLY
ENDOWED WITH 1,820 BILLION LIRE WHICH WOULD HAVE LIFE OF
THREE YEARS (1976-78), (B) INDUSTRIAL RESEARCH FUNDS
OF 600 BILLION LIRE, (C) NEW CAPITAL ENDOWMENT FUNDS FOR
STATE HOLDING COMPANIES OF 4,000 BILLION FOR PERIOD OF 1976-80,
AND (D) ADDITIONAL FINANCING FOR SMALL AND MEDIUM INDUSTRY
OF 270 BILLION IN PERIOD 1977-78 UNDE LAW 623.NEW
RESTRUCTURING FUND WOULD BE USED TO: (A) PROVIDE CAPITAL
CONTRIBUTIONS TO FIRMS IN FORM OF DIRECT LOANS WIH
MATURITIES OF UP TO 15 YEARS AND LOW INTEREST RATES FOR
UP TO 30 PERCENT OF COST OF INVESTMENT, AND (B) SUBSIDIZE
INTEREST RATES ON LOANS FROM SPECIAL CREDIT INSTITUTES FOR
UP TO A FURTHER 30 PERCENT OF INVESTMENT COSTS. IF
FIRM IS ABLE TO AUGMENT ITS RISK CAPITAL, FUND MAY ALSO
BE USED TO PROVIDE ASSISTANCE OF ADDITIONAL 10 PERCENT
OF COST OF INVESTMENT, I.E. UP TO A COMBINED (DIRECT LOANS
PLUS INTEREST SUBSIDIES) TOTAL OF 70 PERCENT OF INVEST-
MENT COSTS.

8. CONTRIBUTIONS FOR INDUSTRIAL RESEARCH PROJECTS CAN
BE GRANTED BY CIPI FOR UP TO 50 PERCENT OF ESTIMATED COST
OF RESEARCH PROJECT. PART OF FUNDS (400 BILLION) WILL BE
ALLOCATED TO NEW FUND WHILE REMAINDER (200 BILLION) WOULD
BE APPROPRIATED FOR IMI.

9. LABOR DISPLACEMENT -- SUPPORT OF WORKERS OF BUSINESSES
IN PROCESS OF RESTRUCTURING WILL FUNCTION ALONG FOLLOWING
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 ROME 18950 311843Z

LINES. WAGE SUPPLEMENT FUND (CASSA D'INTEGRAZIONE) WILL
PROVIDE ASSISTANCE TO WORKERS TEMPORARILY SUSPENDED
OR PLACED ON SHORT TIME FOR UP TO 18 MONTHS AT APPROXIMATELY
80 PERCENT OF FULL SALARY). SHOULD FORMAL SEVERANCE OF EMPLOYEE
TAKE PLACE, WORKERS WOULD BE GUARANTEED UNEMPLOYMENT INDEMNITY
(OF APPROXIMATELY 80 PERCENT OF THEIR SALARY) FOR UP TO 36 MONTHS.
THUS, BETWEEN TWO PROVISIONS, PERSONAL INCOME COULD BE
ASSURED FOR AL LONG AS FOUR AND ONE-HALF YEARS. IN ADDITION, PLAN
CONTEMPLATES WOEKER TRAINING PROGRAM FOR AFFECTED WORKERS.

10. OBJECTIONS -- SPOKESMEN FOR TWO OF THREE MAJOR UNIONS
(CGIL AND UIL HAVE REGISTERED VEHEMNT DISAPPROVAL OF
INDUSTRIAL RECONVERSION PLAN AND DARKLY HINTED THAT
GENERAL STRIKE MAY HVE TO BE CALLED IN JANUARY TO PROTEST
PLAN. THEIR PRIMARY OBJECTIONS ARE: (A) THAT LABOR

DISPLACEMENT PROVISIONS PROVIDE BUSINESSES WITH A "LICENSE FOR FIRING" AND (B) THAT THERE IS NO PROVISION FOR MAINTAINING JOBS IN RESTRUCTURED INDUSTRIES NOR FOR CREATING NEW JOBS. SOCIALIST PARTY (PSI), WHICH FROM FIRST HAS SAID LABOR OBJECTIVES MUST BE MET IN ORDER TO GAIN SOCIALIST SUPPORT FOR PROGRAM, NOW HAS GROUNDS TO REJECT PLAN AND USE IT AS THE MEANS OF PROVOKING GOVERNMENT CRISIS.

COMMENT:

11. APPROVAL BY CABINET OF MEDIUM-TERM PLAN IN TRUNCATED FORM REFLECTS TWO MAIN FACTS: FIRST, THAT THIS PART OF MEDIUM-TERM PLAN IS MOST URGENT AND, SECOND, THAT APPROVAL OF BROADER PLAN WOULD HAVE FACED EVEN GREATER CRITICISM INSIDE AND OUTSIDE PARLIAMENT. STRONG OPA 09 8589,, PARTICULARLY FROM PSI SEEMS TO BE ALMOST EXCLUSIVELY POLITICALLY-MOTIVATED. ON ONE HAND, SOCIALISTS OBJECT TO "LAME DUCK" GOVERNMENT'S DARING TO MOVE FORWARD ON IMPORTANT MEDIUM-TERM ECONOMIC POLICY QUESTION. ON OTHER HAND, THEY HAVE SHARPLY CRITICIZED PLAN AS BEING INCUSFIICIENTLY PRICISE AND COMPREHENSIVE TO ACHIEVE ITS PURPOSE.

12. PLAN IS TO BE PRESENTED TO PARLIAMENT ON JANUARY 2. BOTH DC AND REPUBLICAN PARTIES HAVE STATED THEIR WILLINGNESS TO ENTERTAIN PROPOSALS FOR AMENDMENT OF PLAN AND PCI

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 ROME 18950 311843Z

HAS INDICATED THAT IT IS PLANNING TO MAKE SUCH PROPOSALS. HOWEVER, PROSPECTS FOR PASSAGE OF DRAFT LAW EVEN IF AMENDED ARE HIGHLY DOUBTFUL. PSI IS PARTICULARLY IRATE, CLAIMING THAT IT HAS NOT BEEN ADEQUATELY CONSULTED DURING PREPARATION OF PLAN, EVEN THOUGH IT IS A MEMBER OF GOVERNMENT MAJORITY, AT SAME TIME THAT IT ALLEGES THAT DC IS IMPLICITY COUNTING ON SUPPORT OF OPPOSITION PARTY IN PARLIAMENT (PCI) TO ASSURE EVENTUAL PASSAGE OF PLAN. PSI MAY WELL CONSIDER THIS ANAMOLY SUFFICIENT REASON TO BRING DOWN GOVERNMENT (SEE SEPTEL). VOLPE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TREATY RATIFICATION, ECONOMIC RECOVERY, ECONOMIC CONDITIONS, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME18950
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750451-0711
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975121/aaaaagg.tel
Line Count: 211
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 ROME 16856, 76 ROME 179096
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 30 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 APR 2003 by BoyleJA>; APPROVED <10 JUL 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AN ABBREVIATED MEDIUM TERM PLAN APPROVED BY CABINET
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006